

THE MAGAZINE OF THE MACDONALD-LAURIER INSTITUTE

INSIDE POLICY

JUNE 2020

BEYOND LOCKDOWN

Helping Canada's economy
recover from the COVID emergency

Also INSIDE:

Hong Kong
crackdown

Political revitalization
of the Wet'suwet'en

The bill for
COVID-19

Fighting against
hostage diplomacy





INSIDE POLICY

THE MAGAZINE OF THE MACDONALD-LAURIER INSTITUTE

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From the editors

The COVID-19 outbreak that began in China has since spread around the world, resulting in accelerating fatalities, lockdowns, and an unprecedented economic slowdown. Only now is Canada finally moving beyond its lockdown to tentatively open up some sectors of its economy. And, as we take stock on the economic impact of the lockdown, we need to continue our vigilance against a possible second wave of the virus.

To better understand these rapidly changing events, MLI is devoting much of this issue to explore how Canada can safely recover from the COVID-19 emergency. **Brian Ferguson** examines how we can open up our economy while safely avoiding a second wave of the virus, and **Shawn Whatley** looks at the lessons that we can learn from how we responded to COVID-19 in the spring.

The government has promised extensive financial assistance to businesses during this crisis, which **Jerome Gessaroli** further explores. **Philip Cross** warns about the danger of changing our society and economy after COVID-19, while **Jack Mintz** argues against the idea of a guaranteed basic income.

Workers must adapt to the trend towards remote working that has been triggered by the COVID crisis – a point raised by **Linda Nazareth**. The federal government's approach to governance is also the subject of two articles; the first by **Donald Savoie** and the second by **Christian Leuprecht**.

Canadians are also confronted by the global consequences of COVID-19. As noted by **Marcus Kolga** and **Kate Rowswell**, disinformation from hostile foreign actors has created an “infodemic” about the virus. China's culpability for the virus outbreak is also explored by **Cross**, as well as **Charles Burton** and **Brett Byers**.

Even as Canada adapts to the COVID-19 era, policy-makers must also confront an increasingly complicated and dangerous geo-strategic environment. China's kidnapping of Michael Kovrig and Michael Spavor remains an especially pressing issue, as noted by **Alex Ra-Lee**. So too is China's coercive efforts on Hong Kong. Yet, as **Robert Falconer** and **Ai-Men Lau** remind us, Canada does have some options it can use in response, most notably its immigration system.

Canada may have lost its opportunity to hold a seat at the UN Security Council; an effort that is explored more fully by **Kaveh Shahrooz**. Yet we do have other means to improve our international standing. **Jeff Kucharski** points to the potential leverage offered by its energy resources, while **Jonathan Berkshire Miller** makes the case that Canada should block Huawei from its 5G networks.

Also in this issue, **Ken Coates** joins **Theresa Tait-Day** in examining the ongoing political revitalization of the Wet'suwet'en.

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Jen Castro | commons.wikimedia.org

Stand down and let the Wet'suwet'en revitalize their political system

The Wet'suwet'en can manage the complexities and demands of the modern world while respecting traditions and values.

Theresa Tait-Day and Ken Coates

The Wet'suwet'en have endured a challenging year, with internal disputes about the role of hereditary chiefs playing out in the national and international news.

The Wet'suwet'en people are intensely proud of their culture and history and determined to exercise their rights and title. Appropriately, they seek pathways to autonomy and prosperity. Unfortunately, the process has been lost in a media circus, and a vital debate about Wet'suwet'en governance has been hijacked by environmentalist agendas and national anti-pipeline politics.

The local debate about the role of hereditary chiefs and elected *Indian Act* band governments is crucial for the Wet'suwet'en and all First Nations seeking to connect traditional government

systems with imposed colonial structures. These discussions are happening while two intense processes are underway: the development of the economically vital Coastal GasLink pipeline through

Government of British Columbia to engage directly and solely with the hereditary chiefs and to sign a Memorandum of Understanding (MOU) on the progress of negotiation of Wet'suwet'en land and governance issues.

A vital debate about Wet'suwet'en governance has been hijacked by environmentalist agendas and national anti-pipeline politics.

Wet'suwet'en territory, and the stalled negotiations over the First Nations' long-standing and legally recognized rights to their traditional territories.

This already challenging local situation has been complicated by the decision of the Government of Canada and the

The response has been understandably one of frustration and anger.

The elected chiefs asked the Hon. Carolyn Bennett, Minister of

Top: Vancouver rally in solidarity with Wet'suwet'en hereditary chiefs, January, 2020.

Crown-Indigenous Relations to resign her cabinet post for her role in bringing the MOU forward. Most of the elected chiefs publicly rebuked the federal and provincial governments for persisting with the MOU and for failing to involve them in the discussions. Community members were not given a full opportunity to review the MOU before the signing, which undercuts the legitimacy of the exercise.

It is the people, and not just the hereditary chiefs, who must choose their preferred governance model. It is not obvious that a western democratic approach – one vote for one person – is the

chiefs have substantial standing in the eyes of the courts and, even more importantly, with the Wet'suwet'en people. Like other First Nations in northern British Columbia, the Indigenous membership will find a formal and permanent role for the hereditary chiefs in the governance of the Wet'suwet'en; it will be a role defined by the people, not outside governments.

There are long-standing cultural protocols governing the functions and authority of the hereditary chiefs, which local critics argue have not been followed during the recent political controversy. If the restructuring of government and

actors, particularly those who bring other agendas to the debate, have to back off. The Wet'suwet'en people worked for decades to create the legal and political space necessary to reinvent their place within Confederation. They are committed to continuing the processes of revitalizing and strengthening Wet'suwet'en culture, decision-making and governance. The more that this is done without their entanglement in other issues and political matters such as developing Canada's natural resources, the better it will be for the Wet'suwet'en and – very directly – British Columbia and Canada.



The Wet'suwet'en people worked for decades to create the legal and political space necessary to reinvent their place within Confederation.

proper Wet'suwet'en way to proceed. The future governance of the Wet'suwet'en will recognize the elected bands – they are now deeply integrated into the First Nations' political systems and provide a structure for the administration of the community – but the long-term political structures must reflect Wet'suwet'en values, traditions and customs.

The future of Wet'suwet'en governance must be built around the House system, which is the foundation of the First Nation's culture and central to their aspirations for culturally-based self-government. The hereditary chiefs also are crucial to Wet'suwet'en governance, although not necessarily in the form currently being represented.

People appear to forget that the Wet'suwet'en hereditary chiefs led the court challenge that resulted in the *Delgamuukw v British Columbia* (1997) decision by the Supreme Court of Canada defining "Aboriginal title." Hereditary

the renewal of the First Nation's relationships with the federal and provincial governments is to be both meaningful and sustainable, it must be based on Wet'suwet'en culture and be rooted in history and tradition.

The future of Wet'suwet'en autonomy and governance requires two things. The first is the willingness on the part of all government – Canada, British Columbia, the *Indian Act* governments and the traditional governance systems of the Wet'suwet'en – to engage in a restructuring process. The federal and provincial governments chose, for short-term political reasons, to exclude the elected chiefs and council, an act of disrespect that has to be understood as the insult that it is. The critical set of conversations has to be extended to include all of the people, through the Houses and the Clans and including the hereditary chiefs and the elected chiefs and councils.

The second element is that external

Canadians should watch the Wet'suwet'en, preferably from a distance. The Wet'suwet'en have been one of the most innovative, engaged and culturally-determined First Nations in Canada, committed to doing the hard, even painful work of revitalizing their political system while making sure that they respect traditions and values and can manage the complexities and demands of the modern world.

Other Canadians, including anti-pipeline advocates who continue to use the divisions around the role of the hereditary chiefs to push their agenda, would do the Wet'suwet'en a real service if they stood down and left the First Nation to the critical business of renewing and rebuilding their nation. ❁

Theresa Tait-Day is a hereditary chief of the Wet'suwet'en Nation. Ken Coates is a Munk senior fellow at MLI. This article first appeared in the Vancouver Sun

Different regional experiences require different pandemic responses

Lessons to make sure the next wave of COVID-19 does not deal the same crushing blow as what we experienced in the spring.

The first wave of COVID-19 hit at the peak of hospital overcrowding. Decades of trimming the meat while leaving the untouchable fat left some communities declaring a state of emergency. Here are three lessons we can learn from COVID to prepare for the second wave which we hope will not come.

First, pandemics are regional. They do not infect the whole country like a giant paint roller covering each corner with an equal burden of disease. Pandemics are not egalitarian. Some regions suffer more than others; some patients bear a greater burden of illness.

Much like Canadian politics, pandemics require a regional response. What works for the Cornwall hospital may not work for the Queensway. Scarborough will look different than Sudbury, and so on. Fortunately, most hospitals have smart, motivated teams to run them. They do not need direction; they just need permission. Given the freedom to find creative solutions to local problems, they will design plans to protect the communities they serve that far surpass anything a small group of experts could design from a boardroom one thousand kilometres away.

Second, we cannot disaggregate risk. We cannot focus on one leak in a boat with many leaks. We need to focus on the whole boat. Focussing on one risk – in this case, COVID-19 – to the exclusion of all others may decrease the damage posed by the one risk, but it increases the total risk overall. Our boat still sinks.

Again, hospital managers know this. They spend their careers balancing demands from equally dire situations: breast versus

bladder cancer; counselling versus cataract surgery. One risk, even a massive one, almost never warrants ignorance of all the others. Vulnerable people suffer from multiple vulnerabilities. We need to protect them from all risks to life and limb, not just the one that has caught the attention of media.

Vulnerable people suffer from multiple vulnerabilities. We need to protect them from all risks to life and limb.

Lockdown presented at least as great a risk – a greater risk, in some cases – as the pandemic, for many patients. We will not know the extent until we measure the morbidity and mortality over the next few years. Much of it we will never know. But measurement misses the point; hospital managers could have mitigated much of this if they had been allowed to balance the risk of COVID against the risk of cancelling necessary treatment.

Finally, resilience is not magic. Flow scientists have taught us since the 1950s that systems which face unscheduled demand function best at just over 80 percent capacity. If we staff a coffee shop to guarantee that the staff are maximally busy all the time, then customers must wait. The same thing applies for everything from

elevators in apartment buildings to major highways. Dreams of maximum capacity guarantee failure. We cannot run hospitals at (and above!) 100 percent capacity. Again, most hospital managers know this. They will deliver the performance that the system rewards and allows. Lately, we have neither rewarded nor allowed evidence-based flow solutions.

Risk forces us to re-examine how we lead. Complicated systems – for example, space shuttles and ocean liners – require better rules and more precise control to decrease risk. Complex systems – for example, child raising and romantic relationships – require creativity to decrease risk. Better rules and precise control can only function to the level of intelligence already baked into the rules. When a novel threat hits, rules offer no solution. Canadian health care is a complex system. It demands diversity and nuance and defies central control. Complex systems function best with less attention to clear rules and measurable goals and more attention to incentives and principles.

Call it the paradox of complexity. Incentives and principles achieve real goals that are far better than the ones we dream up in board rooms but never achieve in real life.

Regional solutions, avoiding disaggregated risk, and management based on flow science together offer hope that the next wave, or the next pandemic, does not deal the same crushing blow as COVID-19 did this spring. ❁

Shawn Whatley is a physician, past president of the Ontario Medical Association, and a Munk senior fellow at MLI.



Getting beyond lockdown, and staying there

Let's learn the hard lessons of the first wave and lockdown, and work to preserve Canadians' health and prosperity in the future.

Brian Ferguson

As the first wave of the COVID-19 pandemic recedes and Canadians find themselves able to resume many activities in the summer sun, policy-makers need to be working to ensure that economic and social activities continue to open up, and stay open. The initial lockdown was the right thing to do as an emergency response to the COVID crisis. Yet a second wave can't result in another generalized lockdown with all the crushing social, economic and health costs that accompanied the first. That means that certain basic principles have to be recognized.

The first is that, while it's possible that the virus will die away, as others have

Businesses also have to be encouraged to put protective measures into place.

before it, we need to allow for the case in which it doesn't. Fortunately, we also know a lot more about the virus than we did at the start of the first wave.

For instance, the virus may have spread quickly amongst our population,

but the majority of cases are still mild, often to the point of going unnoticed. Serious cases occur among those whose health is already compromised, such as residents of seniors homes and people with underlying medical conditions, as well as people with high levels of exposure, like front-line medical personnel. If we could protect the most vulnerable, we could slash the mortality rates even in the event of a second wave.

Businesses also have to be encouraged to put protective measures into place, with the aim of reducing the risk to their workforces and customers in the most efficient way possible. What that way will be will vary across worksites, depending on things like proximity of workers to each

other and proximity to customers, so a one-size-fits-all approach will be inefficient.


While the virus can spread in compact workspaces, we need to be looking at the risk of serious infection, not just of spread – and even spread could be mitigated by these protective measures. We can no longer ignore what once might have been written off as people having bad colds. The federal government should also not try and dictate methods, although it might consider providing tax relief for approved ones.

is a provincial constitutional responsibility and it should limit its activities in that area to supporting provincial activities. It should not be making its own projections of case numbers; it should leave that to the provinces.

In terms of modelling and projections, the Public Health Agency of Canada should be focused on supporting the provinces and on evaluating projection methodology, using data from the first wave and from other countries. We need

does not mean austerity, but it does mean having a clear plan for how to unwind the borrowing that is going to have to be done, a plan which is qualitatively, if not quantitatively precise.

The limits on the federal government's ability to play a role in a second wave must be recognized and acknowledged, and it should not get into competition with the provinces, most of which traversed the first wave much more sure-footedly than the feds did. We need some statement of



The federal government should make it plain that it recognizes that public health is a provincial constitutional responsibility.

We have to recognize supply chains, not just in terms of getting things from China but also domestically – the chain of firms from the primary sector up to the retail sector. At each stage along the chain in a particular industry, protective measures will have to be put in place. That will raise the cost of production at each stage and the whole of that will cumulate up to higher prices to consumers. Because every firm will be putting such measures in place, the whole of the cost increase will be passed forward to consumers. Prices will rise and productivity will fall. This cannot be tackled with traditional monetary and fiscal policy, although tax breaks for protective measures might help.

Equally important, we need to remember that we did not have a single national epidemic. What happened in Ontario and Quebec was very different from what happened in BC and Alberta. And, even within provinces, there was significant variation between big cities like Toronto and Montreal and smaller, less populated urban and rural areas. Rather than one national epidemic, we had many regional ones. The federal government should make it plain that it recognizes that public health

to know things like the distribution of the severity of cases of COVID-19 and to have a much clearer picture of who is at risk.

We know some of this – the federal government should support provincial measures to improve safety in long term care facilities. It should provide funding for alternative approaches, the establishment of what would basically be plague hospitals, perhaps, so that regular hospitals could continue to supply services which were cut off this time.

There are some actions which the federal government can take – closing borders, if necessary, for example – but it must recognize that the only real strength it has here is the power of the federal purse, and for the sake of future generations of taxpayers it needs to wield that thoughtfully. Requiring firms to report on their progress towards what the feds think of as a sustainable economy as a condition for their getting federal assistance, for example, is unacceptable.

At the moment, we have an advantage in the fact that it is looking as if foreign bond buyers are treating Canadian government bonds as safe assets. It is essential that this not be jeopardized. That

what kinds of economic policies will have a positive impact on recovery, recognizing that traditional expansionary policies probably won't.

The most important thing in that regard is to recognize the risk of another period of stagflation and explain, using something more than platitudes, what the feds have in mind for avoiding that.

Cases are falling, far fewer people are now in hospital or dying. We have a reprieve from the pandemic, even if it might only be a temporary one. In the event of a second wave, we cannot simply shut down our economy once again, and deliberately push ourselves into a major depression and deny ourselves the resources needed to protect the vulnerable. Instead, we need to learn the lessons from our response to the first wave and shift to targeting our efforts.

Let's learn the hard lessons of the first wave and lockdown, and work to preserve Canadians' health and prosperity in the future. ✱

Brian Ferguson is a professor of economics at the Department of Economics and Finance at the University of Guelph, and a faculty associate of the Canadian Centre for Health Economics.



The 1990s deficit fighting solution of downloading won't have the same impact this time.

Donald Savoie

Governments will soon be dealing with a COVID-19 hangover. The day when governments come up for air, they will see that their budgets are a wreck – revenues are collapsing while expenditures are growing through the roof.

Government debt as a percentage of GDP is fast approaching mid-1990s levels when, it will be recalled, Ottawa launched an ambitious program-review exercise that generated sweeping spending cuts. There is, however, an important difference this time. In the mid-1990s, baby boomers were in the prime of their careers and highly productive. Today, Canada has a fast-aging and less productive population that is putting more pressure on our health care facilities and generating more demands on expenditure budgets.

“
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Ottawa has led the way in coming up with measures to attenuate the sting of economic misfortunes flowing from the COVID-19 economic shutdown. The federal government will also have to show the way in redefining the role of government, starting with its own.

There is a consensus emerging that federal public servants need to learn to take risks to help in redefining the role of government, and better managing the difficult economic challenges brought on by the response to COVID-19. Indeed, even a number of former federal public servants are now making this call, including a former clerk of the Privy Council and former Treasury Board Secretary.

However, this idea is fraught with danger – public servants deal with public resources and have no constitutional mandate to take risks. If we should ask them to take risks, then we will need to overhaul accountability requirements and take a fresh look at the growing number of oversight bodies always at the ready to provide fuel for the blame game.

If public servants are expected to take risks, they will also be expected to take

responsibility before Parliament when things go off the rails. It would also allow politicians to take credit when things go well and point fingers at public servants when things go bad, thus turning career officials into political actors. That would spell the end of a professional career civil service.

Politicians on the government side will need to strike all key decisions and assume the risks in the post-COVID-19 world. The mid-1990s program review exercise undertaken by the Chrétien government offers few lessons learned for what lies ahead. A good chunk of the cuts then came from transfer payments to the provinces and regional programs. It only takes a moment's reflection to appreciate why it is easier politically for federal politicians to download cuts to provincial governments and why, at least from an Ottawa perspective, it makes sense to cut into regional programs.

But there is a price to pay. Canada now has the highest level of sub-national debt in the world. I suspect that if Ottawa had told



Renée Depocas/iStock

Ottawa component, has done very well through several program review exercises. It has grown substantially in size for reasons that have never been clear. In 2000 the size of the federal public service was 211,975 employees, and in 2019 it was 287,978. This rapid growth has occurred despite the fact that it is the provinces that deliver labour-intensive public services such as health care, education and social services, and despite an ambitious program review launched by Stephen Harper's government that sought to reduce the size of the public service.

I would invite readers to take a look at the many levels of management in all departments in Ottawa. The public service has also proven incapable of dealing with non-performers. It remains that when asked to take on new activities, they invariably ask for new resources rather than look at reallocating existing resources.

Many Canadians believe that cuts can be made to the overhead cost of government while having a minimum

Ottawa has no room left to cut its share of funding for medicare. If it does, it will surely be the end of medicare.

the provinces in the 1960s that the federal share of funding medicare would in time go from about 50 percent to 24 percent, most provincial governments would have told Ottawa, “no thanks!” Given that the fiscal burden that medical care places on provincial governments will only become more demanding due to the country's fast-aging population, not to mention the impact of the coronavirus pandemic on provincial health systems, Ottawa has no room left to cut its share of funding for Medicare. If it does, it will surely be the end of Medicare.

And Medicare is hardly the only case where the federal government enticed the provinces to enter a policy field – see

numerous examples in education and economic development – only to cut and run a few years later, leaving provincial governments holding the bag. This time Ottawa will need to look to its own activities to make spending cuts. These decisions belong to politicians – no one else – and they will discover that unveiling cuts requires spending political capital.

This is not to suggest that the federal public servants can wash their hands of the tough task ahead. They play an important advisory role. They are responsible for managing government operations and they have a lot to answer for.

The federal public service, notably the

impact on their communities.

To be sure, the impact of COVID-19 is not limited to the private sector. Politicians will need to strike very difficult decisions and sell them to Canadians. Federal public servants should not be expected to take risks but they should be expected to come to terms with the fact that the overhead cost of the federal government is out of whack with what is required to deliver the necessary programs and services to Canadians. ✱

Donald Savoie is a distinguished fellow at MLI and the Canada Research Chair in Public Administration and Governance (Tier 1) at the University of Moncton/Université de Moncton.

Decision to suspend Parliament during the pandemic was wrong

Throughout this emergency, Parliament has proven its capacity to vote on exceptional measures at an unprecedented pace.

Christian Leuprecht

Political executives have been using broad emergency powers to impose sweeping restrictions through orders-in-council – with little or no parliamentary debate. The federal government has even cancelled the budget it had planned to table and refuses to provide a full fiscal update.

According to Finance Canada, by May 2020 direct federal spending announcements related to the pandemic had amounted to \$152.8 billion. The Parliamentary Budget Office projects the federal deficit to exceed \$250 billion this fiscal year. The Government of Canada's total balance sheet is now \$1 trillion in the red, while total public debt in Canada approaches \$3.2 trillion or 166 percent of GDP.

For June 17, the government allocated four hours for Parliament to debate \$87 billion in supplementary estimates and total spending of \$150 billion, including about \$6 billion in new spending. The minimal time allocated to debate this year's estimates made it the most expensive four hours in Canadian parliamentary history.

A democracy should reciprocate unprecedented restrictions on individual freedoms and unprecedented levels of spending with unprecedented levels of debate and scrutiny. Yet, Canada's federal government has not only capitalized on the virus to limit democratic debate, but also effectively put the very ability of Parliament to carry out its functions up for debate altogether.

With support from the NDP, the minority Liberal government resolved to impair the regular functioning of



The minority Liberal government resolved to impair the regular functioning of Parliament for at least six months.

Parliament for at least six months. It has suspended normal business in the main chamber, cut the number and frequency with which written questions can be tabled and reduced Parliament to a shadow of its former self: 40 sitting days between July 2019 and June 2020. In scope and duration, the constraints imposed on Parliament by this government are without precedent.

Yet, throughout this emergency, Parliament has proven its capacity to vote on exceptional measures at an unprecedented pace. Indeed, on May 11, the House of Commons administration served notice that it stands ready to hold full sessions of Parliament in remote or hybrid form. The prime minister passed up this offer under

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What's wrong with a great rebuilding of the economy post-COVID-19

Even worse than slowing the growth of the economy by diverting resources into less desirable activities, imposing such a choice undermines democracy.

Philip Cross

The extraordinary increase in government spending and deficits in response to the coronavirus pandemic apparently does not deter some from seeing an opportunity to restructure Canada's economy. After all, it is tempting to ask, if we can command the huge resources needed to contain the pandemic, why not use the occasion to make fundamental changes to our society?

However, this line of thinking is both flawed and undemocratic. The vast deployment of government resources in response to the pandemic was intended to preserve the economy as it was. The 11-point hike in the federal government's share of GDP was to replace household and business incomes which collapsed almost overnight, especially in industries providing face-to-face interactions for services such as restaurants, hotels, travel, personal care, and recreation.

This temporary income support was meant to keep labour and capital in place so these industries could resume normal operations as soon as the virus subsided, whenever that occurs. Making the increase in government spending permanent by financing programs such as a Guaranteed Annual Income, green energy infrastructure projects, and higher-priced health care would be counter-productive to this short-term goal and harm long-term growth.

Restructuring the economy is problematic no matter what course the virus takes. On the one hand, if the virus does subside, either on its own or due to a vaccine,

we would expect Canadians to resume spending on personal services. If, on top of this, we add a substantial increase in government spending, soon the economy will surpass its capacity limits. While not at full employment before the crisis, Canada was not several percentage points short of it (the Bank of Canada estimated the output gap was about 1 percent in late 2019). We cannot simultaneously resume normal economic activities and fundamentally restructure the economy, nor would we want to.

to government infrastructure projects or health care? At a minimum, it would require years of income support for millions of people while new skills were acquired, something that has proved difficult even without the lower efficiency of the online courses the virus would necessitate. Restructuring would be a painful and costly exercise at a time when the economy is still struggling with the pandemic.

A more basic question is, do Canadians even want an economy restructured along these lines? In the short-term, higher

We cannot simultaneously resume normal economic activities and fundamentally restructure the economy, nor would we want to.

On the other hand, if the virus disrupts spending for a prolonged period, Canada faces a very difficult transition for its capital and labour. People little versed in economics warn of stranded assets in our fossil fuel industry, but that would pale compared with the hundreds of billions potentially stranded in aerospace, urban transit, hotels, and commercial and office buildings.

For workers, as widely noted, income and job losses have been concentrated in services industries with low levels of skill, education and pay. How exactly does a former waitress with a high school education transition to an economy shifting

government spending is replacing some of the record decline in household spending, especially on services that form the basis of much social activity. However, humans are inherently social beings; Canadians spend substantial amounts on restaurants, hotels, travel, cinemas, gyms and other personal services, preferring a large variety of these activities at low prices. It is unlikely people will permanently give up this network of social activities to finance a guaranteed income, green energy infrastructure, or more health care.

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Focus on getting people back to work, not sweeping, costly new programs

Making emergency relief programs permanent as a guaranteed income would discourage work and delay economic recovery.

Jack Mintz

Canada's COVID-19 economic coma provides a new, grand experiment to understand the implications of a guaranteed basic income on the willingness to work. Numerous advocates of a guaranteed basic income are now calling for the enhanced benefits currently deployed as an emergency measure, to extend past the crisis in the form of a guaranteed income.

It was wise for governments to rush out financial support as quickly as possible in wake of this severe downturn as businesses closed down. However, on a permanent basis, a guaranteed minimum income, despite having some good features as explained below, would be inferior to an enhanced wage subsidy program to encourage people to work.

It was wise for governments to rush out financial support as quickly as possible in wake of this severe downturn.

During the pandemic, the federal government crafted two types of temporary support programs. The Canada Emergency Response Benefit (CERB) provides a taxable \$500 per week for 24 weeks (previously 16 weeks) for people laid off from work, equivalent to a \$14 per hour wage. Of course, for half-time work, the CERB is equivalent to a \$28 per hour wage.

The federal post-secondary student package provides another \$1250 per month

for four months. Many complaints were made that this would simply encourage students to slumber on hammocks during the summer rather than work even if some jobs become available. Some post-graduates would have been able to combine this payment with the CERB, resulting in a pretty lucrative income not to work for several months. The federal government is now implementing some less-than-clear measures to eliminate the disincentive to work under this program.

Although jobs are disappearing in wake of economic stay-at-home orders, not all industries are contracting. As related to me by one of the technology companies, they have some new job opportunities that they have been trying to fulfil. However, as soon as the CERB came out, the applicant pool began to disappear. This is not the only case I heard of – many other employers in a similar circumstance started to tell similar stories. Time will tell whether these anecdotal stories are supported by the data.

Before this pandemic, Facebook's Mark Zuckerberg along with some other captains of Silicon Valley industry last year called for

tration. Surely there must be a simpler way of designing support programs for those in need, under a single stipend.

The idea of a guaranteed income is far from new. In 1516, Thomas More proposed a basic income to reduce robbery, but it was his friend, Johannes Vives, who first proposed a guaranteed income to reduce poverty a decade later. University of Chicago economist and Nobel laureate Milton Friedman made the most revolutionary proposal in 1962, recommending a “negative income tax” as a radical simplification of the welfare state and tax system. Under his scheme, a grant would be provided to each household

get a refund to top them up to \$12,000). One could also throw in Medicare, making it private, which is a fear some have if we took a very broad approach to implementing a guaranteed income plan.

The flat income tax required to pay for it – one covering not only the minimum grant but also the remainder of government expenditures net of other taxes (corporate, sales and excise, property and other), which in total would be about \$14,000 per household – would need to be levied at a rate of 29 percent. These calculations do not take into account any savings in administrative costs with the cancellation of various welfare programs.



New technology displaces jobs, but innovation also leads to lower costs and new products, expanding jobs as production rises.

a guaranteed basic income to help workers displaced by the adoption of artificial intelligence, digital processes and robotics. This is not what the history of innovation tells us. Undoubtedly, new technology displaces jobs, but innovation also leads to lower costs and new products, expanding jobs as production rises. Most economic studies have found that net employment increases with innovation over time.

The most challenging issue is trying to shift laid off workers into new occupations rather than leaving them idle. A basic guaranteed income can interfere with these dynamic processes if people do not seek retraining and new opportunities.

The better argument in favour of a guaranteed income is to reduce poverty. The complex assortment of social assistance programs, pensions, housing subsidies, unemployment insurance, targeted benefits and other low-income supports result in an inefficient delivery, high marginal tax rates and costly adminis-

tration. Those on the left might prefer a progressive rate schedule but they found Friedman's guaranteed income as a replacement for welfare programs appealing.

So how would Friedman's proposal apply to Canada today? Based on 2018 data, federal, provincial and local governments fund over \$160 billion in social benefit programs – roughly \$12,000 per household (an average household has 2.5 members). Although our income tax is based on individual earnings, I shall start with a family income approach to the guaranteed income similar to the existing income-tested benefit and refundable tax credit programs.

So we could cancel various social-benefit programs such as social assistance, free dental care and drugs, old age security, child benefits, and employment insurance by replacing them with a refundable negative tax credit of \$12,000 per household (even those with incomes below that would thus

But if we're alleviating poverty, \$12,000 seems below the poverty line for the average household of 2.5 people who have no other income. For what poverty activists consider a “living wage” of \$15 per hour – which I will take as an annual payment of \$30,000 per household (with either one or two adults) – the flat income tax rate would need to rise to 49 percent to balance the books. These personal income tax payments would come to \$590 billion, enough to cover \$420 billion minimum-income payments (at about a fifth of GDP) and the rest of the public expenditure.

As appealing as it seems, Friedman's negative income tax is not so simple to implement. Obviously, minimum payments would need to recognize different households' characteristics. Single individuals would get less than those families with multiple adults and children. Households

Continued on page 34



A framework for government financial assistance in an economic crisis

The government should supply capital to typically profitable firms at market rates and restrict its usage to maintaining core operations.

Jerome Gessaroli

In times of economic crises, governments often provide companies with financial assistance in order to reduce economic damage. With business activity plunging due to the pandemic lock-down, the federal government estimates it will make available over \$570 billion in support through a wide variety of programs. As one can imagine, this will result in taxpayer liabilities that will have to be paid for far into the future. In addition, with such large government economic intervention, market distortions and moral hazards can also easily arise.

I will examine three programs with regard to their efficiency and likelihood of causing economic distortions:

- Canada Emergency Wage Subsidy (CEWS). Expenditure: \$73 billion.

“
*Market distortions
can hurt future
growth and
economic activity.
Think of the small
tech company
eco-system.*

Non-repayable subsidy for companies to keep workers employed by paying up to 75 percent of their wages for three months (later extended by 12 weeks to August 31).

- Business Credit Availability Program (BCAP). Loan guarantee: \$40 billion. Export Development Corporation guaran-

tees 80 percent of a loan, up to \$6.25 million per company. The loan is made through the company's primary financial institution.

- Canada Emergency Business Account (CEBA). Loan guarantee: \$25 billion. Companies can borrow \$40,000, with 25 percent being forgivable if repaid by December 31, 2020.

Due to the relatively relaxed criteria and no requirement to repay the funds, significant taxpayer money will undoubtedly go to companies that legally meet the criteria for assistance but do not need it. While some may claim those are actions taken by deceitful managers, those managers can point out they have a fiduciary responsibility to make decisions that are beneficial to the company's owners.

Market distortions can hurt future growth and economic activity. Think of

the small tech company eco-system. Small tech companies are initially financed to develop an idea. If the idea is good, the companies attract additional capital and talent. If the idea is poor, that company fails and the talent is redeployed into other companies with new ideas. This natural self-selecting system has worked to create many successful companies.

The economist Joseph Schumpeter viewed this as a form of creative destruction, “incessantly destroying the old one, incessantly creating a new one,” and saw it as an essential element of the market economy. If government money is now easily made

corporations create employment, generate taxable profits and provide an appropriate return on investors’ capital commensurate with the risk taken. History has shown the market economy’s remarkable ability to create wealth, generate sought-after goods and services, and allow for large public investment through taxation of profits and income. This is the single most important principle when structuring a bailout.

A *Globe and Mail* article on the oil sector bailout being planned stated “a federal source cautioned that major players such as Suncor and Canadian Natural Resources have the financial resources to

The collapse in air travel due to closed borders has caused Air Canada’s seat capacity to fall by 90 percent. The company’s response was quick, temporarily laying-off over 16,000 workers and managers. In addition, the company announced cost reductions totalling \$500 million, while simultaneously drawing on its \$1 billion line of credit. The decisions were tough but necessary to increase liquidity and lower their burn-rate in the face of massive revenue loss.

But just days later, the carrier announced it would hire back its workers through the federal government’s CEWS program. The government program wrongly incentivized Air Canada into extra expenditures that they otherwise would not have incurred. Moreover, a CBC report stated that the workers will remain at home “as there is no work for them.” The government should have instead modified its existing unemployment insurance program to provide wage support for Air Canada’s laid-off workers.

If government is to risk taxpayer money, taxpayers should have the opportunity to earn a return commensurate with that risk.

available to prop-up companies that would have otherwise failed, it would upset an eco-system that has created companies such as Apple, Microsoft, and Google.

Governments should follow three principles, partly based on Bagehot’s dictum, when providing companies with financial assistance. Walter Bagehot was a famous 19th-century English businessman and writer. In his book, *Lombard Street: A Description of the Money Market*, Bagehot writes that in times of crisis, central banks should lend freely to companies with good collateral at a high cost. His dictum is powerful, and if used can reduce the cost to taxpayers as well as limit government-induced market distortions.

Let the market economy do what it does best

Competitive capital and product markets are the most effective mechanism for efficiently producing competitively priced sought-after goods and services. Successful

pick up many of the small and medium-sized energy companies that can’t survive the current crisis and that Ottawa’s role should be focused on helping unemployed oil and gas workers.” The sentiment is correct.

However, the above three programs work directly against the idea. Financing normally weak firms may or may not keep them alive. But even if they still operate, a report by the Bank of International Settlements finds that such companies “are not as productive and crowd out investment and employment at more productive firms.” These firms hinder employment and economic growth.

Use financial assistance to stabilize corporate operations, not for specific stakeholders

Mandates placed on government financial aid directed at any one stakeholder limits a company’s ability to restructure in order to remain viable.

Provide financial assistance on market terms

Often in times of economic crises, capital is not easily obtained and if obtained, its cost is high. If government is to risk taxpayer money, taxpayers should have the opportunity to earn a return commensurate with that risk. Higher cost explicitly deters well-capitalized companies from using government money, as it is expensive. Instead, government funds used will be limited to those companies truly requiring it.

In summary, the government should supply capital to typically profitable firms at market rates and restrict its usage to maintaining core operations. This will minimize market interference, limit taxpayer liabilities and reinforce market discipline on both businesses and investors alike. ✱

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How the trend to remote work may help growth outside major centres

With the pandemic, a large chunk of the work force is now doing remote work, and apparently it is turning out more or less okay.

Linda Nazareth

Move to the city to seek your fortune goes the old saying, and by and large that has been the reality for Canadian workers, none more so than those in the tech sector. Tech companies have tended to cluster in a few large centres in Canada and in other countries as well.

In the United States, in particular, many concerns have been raised in recent years that those tech-heavy centres have been growing at the expense of the rest of the country by siphoning off talent and resources and creating a have and have-not structure between them and everywhere else. Unfortunate, but how can you stop it?

The rise of “superstar” sectors and companies is behind some of the growth of a handful of superstar cities.

Well, maybe with a pandemic that shows people can work from anywhere and that having everyone in one place is less magical than might previously have been thought. If that idea gains wide acceptance, one aftermath of the pandemic might be more balanced growth between Canada’s cities and the wide swath of the country outside of metropolitan areas.

The rise of “superstar” sectors and companies is behind some of the growth of a handful of superstar cities. In a 2019 analysis, the McKinsey Global Institute identified superstar sectors such as the Internet, media and software, pharmaceuticals and medical products, financial services, professional services and real estate. In terms of companies, the ones in

the tech sector are now household names and include companies such as Apple, Google, Facebook and Twitter.

The Brookings Institute, among others, has expressed concern about the phenomenon, pointing out that over the past decade, one-third of US job growth in digital services was in just five metropolitan areas – New York, Seattle, Boston, San Francisco and San Jose, Calif. The implication is that wages keep growing in these superstar areas as they draw talent, resources and wealth while everywhere else looks increasingly B-list.

the jobs were going to be, then clearly they were where growth and prosperity were going to be as well.

Except, apparently, the jobs can be anywhere. With the pandemic, a large chunk of the work force has been sent home to do their work, and apparently it is turning out more or less okay.

Not perfectly of course. Workers at home have to contend without company cafeterias, lounges and the benefits of having their team close at hand. Still, the experience is proving to be positive enough for companies that several in

stage photo-ops while carefully detailing just how many jobs will be created.

Instead, the gains may happen almost in slow motion as, for example, Atlantic region transplants to Vancouver wake up to knowing they can pick up and move back home while still getting paid, or small towns in the Prairies make a play to attract tech workers who want a taste of something that is very different from city life.

The conditions are there for it to happen. According to Statistics Canada, about 40 percent of Canadians are able to do their jobs from home, and even a

We seem to be at the beginning of a game-changing shift from the state of remote work before the pandemic.



Smaller cities and towns in Canada like Halifax, Charlottetown and Winnipeg may be long-term winners in the shift toward working from home.

Before the pandemic, Canada had also started to show a divergence in fortunes between areas. A 2019 analysis by Toronto-Dominion Bank showed that after the financial crisis in 2008-09, the top four Canadian cities of Toronto, Montreal, Vancouver and Calgary have been attracting jobs at the expense of other cities, while the tech hub Kitchener-Waterloo region of Ontario was also seeing skyrocketing employment growth.

Although the regional disparities were yet to be as pronounced as in the US, clearly the potential was there for them to grow. After all, if tech hubs were where

the tech sector, including Facebook and Twitter, have said they are open to the idea of permanent remote work.

With the big names apparently on board, we seem to be at the beginning of a game-changing shift from the state of remote work before the pandemic, where some companies embraced it but many still viewed it with deep suspicion.

The gains to areas outside of cities may take place slowly and change over time. It will be the opposite of the splashy wins that small towns sometimes get when a company decides to relocate to them and politicians

small percentage of them choosing to do so could have a significant impact. Over time, a flow of remote workers away from the big tech hubs could even go some way toward reversing the demographic trend of older populations outside of cities.

It is almost ironic. Pre-pandemic, the technology for remote work existed, but the tech companies that invented it were notoriously cautious about using it for their own workers. Given their apparent change of heart, other wide-reaching changes are also likely to occur in the post-pandemic future. ✿

Linda Nazareth is host of the *Work and the Future* Podcast and a senior fellow at MLI.

COVID-19 “infodemic” is putting lives at risk

The infodemic and the pandemic go hand-in-hand; both should be taken extremely seriously.

Marcus Kolga

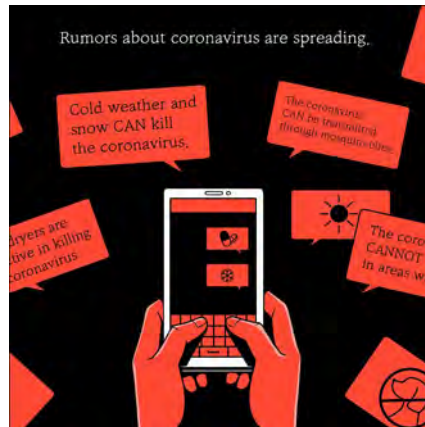
Kate Rowswell

As fear and uncertainty about COVID-19 sweep the world, a rise in misinformation about the virus and its origins, as well as unfounded claims about miracle cures, are putting Canadians at great risk.

The Canadian government – and specifically the minister of health – must join other Western nations in addressing the threat of COVID-related misinformation. One excellent way to achieve this is by publicly debunking falsehoods and correcting the record as information threats emerge.

We shouldn’t underestimate this challenge: the escalating “infodemic” contains a slew of toxic narratives from foreign regimes. Propaganda and disinformation in this case is designed to intensify the destabilizing impact of the virus, and to exploit soft-power opportunities — such as the masked effort to buy influence via “donations” of personal protective equipment. The manipulation of statistics to hide the extent of infection under totalitarian regimes is also a threat. Collectively, these actions grossly undermine global efforts to assess and address the pandemic.

As self-isolation increases, so too does our reliance on social media. There, we find a cacophony of narratives about causes, cures and protective measures. One recent meme claimed that heat and moisture of the kind found in a sauna can kill the virus, and that doctors in Wuhan are injecting people with vitamin C to prevent infection.



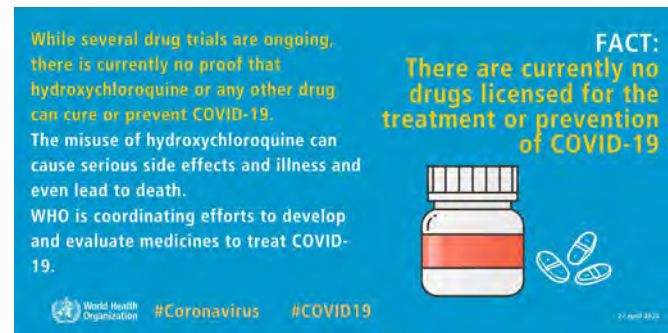
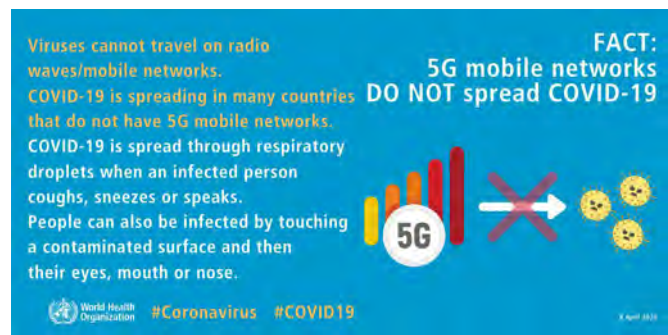
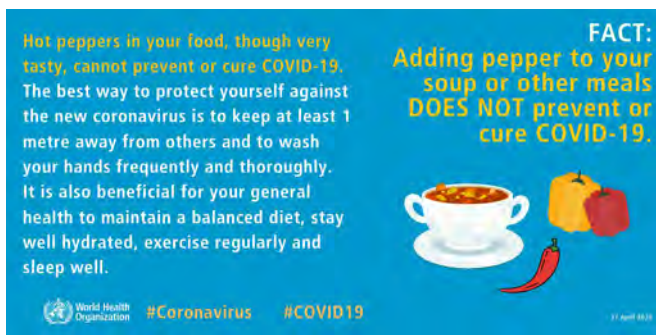
(United Nations COVID-19 Response (@unitednations))

“Unproven treatments constantly emerge, many planted by foreign actors or snake-oil salesmen.”

This kind of viral misinformation taps into our growing anxieties about COVID-19, threatening to drown out science and reason. Unproven treatments constantly emerge, many planted by foreign actors or snake-oil salesmen, and are then shared with the best of intentions

by friends, family and colleagues. Regardless of intent, misinformation hurts us all, and we need to be more aware about the consequences of passing it around.

Thankfully, a growing number of organizations and individuals are fighting disinformation on social media platforms.



Above: “Mythbusters” provided by the World Health Organization in response to false information circulating about COVID-19
([who.int/emergencies/diseases/novel-coronavirus-2019/advice-for-public/myth-busters](https://www.who.int/emergencies/diseases/novel-coronavirus-2019/advice-for-public/myth-busters))

But one newer arena that is still almost impossible to monitor is in group messaging apps. A recent example was an audio recording ostensibly from the University Hospital of Gran Canaria in the Canary Islands. The soothing female voice claims that a Dr. Negrin at the hospital has advised warding off the virus by eating soup, drinking hot liquids, and gargling warm water mixed with vinegar.

We contacted the hospital to verify the source, and a representative from the Canary Islands Health Department responded: “There are a lot of workers in the hospital and we don’t know exactly who has recorded this audio. However, we can tell that the ‘advice’ in this audio is fake and extremely dangerous.” The claims made in the clip have been debunked from a medical perspective, but not before the clip reached millions of Facebook users via its Messenger app, circumventing the platform’s content filters and user reporting features.

Some world leaders have not helped. President Trump amplified untested claims

Organizations and individuals are fighting disinformation on social media platforms.

that the anti-malaria drug Chloroquine could cure COVID-19. Yet in a French trial of the drug, six patients dropped out, three of them were treated in intensive care, and one died. Many more were harmed following the President’s “advice” and self-medicating with the drug at home.

In the US and Europe, thousands of people have shared dangerous misinformation about a poisonous liquid known as the “Miracle Mineral Solution.” The use of this mixture of water and bleach to cure COVID-19 has prompted the US

Food and Drug Administration to warn: “If you’re drinking ‘Miracle’, or ‘Master Mineral Solution,’ or other sodium chlorite products, stop now!”

Where most Canadians should recognize the dangers of ingesting toxic chemicals, claims about the healing properties of vitamin C, or of gargling with warm water, are perhaps less obvious. The confusion sown by these less blatantly false claims may ultimately prove more deadly, as citizens who believe in the treatments fail to isolate or respect social distancing, and spread the disease to countless others.

While the Canadian government has taken significant steps to inform Canadians about protecting themselves against COVID-19, it is clearly failing to effectively educate us about the infodemic. The infodemic and the pandemic go hand-in-hand, and should both be taken extremely seriously, since each of them poses a significant threat to public health in Canada. 🌪️

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Renée Depocas/Stock

If Canada is sending China the bill for COVID-19, it could be \$2.4 trillion

China's misinformation and mishandling of the initial outbreak in Wuhan contributed to it becoming a global pandemic.

Philip Cross

The impact of the coronavirus has devastated Canada's economy. Over three million Canadians officially lost their jobs in March and April alone, while another 2.5 million were not able to work at all or had much reduced hours. Overall, employment fell by 15.7 percent and hours worked by 27.7 percent. By early May, 7.8 million Canadians turned to emergency income support from the federal government.

The monetary loss for Canada has been enormous. In total, the Parliamentary Budget Officer projects nominal GDP income will drop 16.6 percent or \$395 billion in 2020 due to the pandemic. This

The decline in annual real GDP is nearly four times larger than the next worst on record in 1982.

loss of income reflects a 4.5 percent drop in prices, mostly for commodity exports, and 12.1 percent less volume of output. The decline in annual real GDP is nearly four times larger than the next worst on record in 1982, even with the optimistic assumption of a sustained recovery in the second half of the year.

Meanwhile, the wealth of Canadians plunged at least \$3 trillion at the end of

the first quarter just from the 21.6 percent drop for stock prices, according to Statistics Canada. These losses were trimmed to about \$2 trillion by a rebound in the stock market in the second quarter. The long-term impact on the value of other assets such as real estate and small businesses is not yet known. A \$2 trillion drop in total wealth would be expected if the loss of wealth matches that during the 2008-2009

recession, when every other measure shows the 2020 recession is much worse.

All the monetary loss can be attributed to the coronavirus pandemic. Before the virus forced the shutdown of non-essential sectors, Canada's economy was heading towards slow but steady growth in 2020. The Macdonald-Laurier Institute Leading Economic Indicator rose by 0.3 percent in February, its eighth straight monthly gain, with prices still rising for stocks, commodities and housing.

income support to Canadian households and businesses, plunging revenues from income, consumption and capital gains taxes, and soaring health care costs from the pandemic. The Parliamentary Budget Office projects the federal deficit rising from \$24.9 billion before the pandemic to over \$252 billion, not including the daily stream of new programs offered after April 24 which is why the PBO said "In all likelihood, the deficit will be higher." The federal deficit will likely exceed \$300 billion after accounting

transit systems and lower fees. This does not include potentially unpaid property taxes from the wave of bankrupt people and businesses that will not surface for months (people currently cannot file for bankruptcy because the courts are closed). Knowing that provincial finances already were stretched to the limit, cities made their appeal for help directly to the federal government.

This assessment of damages caused by the China's coronavirus at \$395 billion of income and \$2 trillion of wealth is deliber-



If we were somehow able to send a bill for the full economic damage, Canada would be justified in demanding at least \$2.4 trillion of compensation from China.

A number of observers have proposed seeking reparations from the Chinese government for all of this. There is a good deal of evidence that China's misinformation and mishandling of the initial outbreak in Wuhan contributed to it becoming a global pandemic, breaching Articles Six and Seven of the WHO's International Health Regulations which China signed and is legally obliged to uphold. If we were somehow able to send a bill for the full economic damage, Canada would be justified in demanding at least \$2.4 trillion of compensation from China.¹ This includes the \$395 billion drop in GDP earned income, a figure confirmed by a similar expected increase in government deficits needed to provide temporary income support and absorb revenue losses. Add to that the \$2 trillion of wealth destroyed by lower stock market prices.

The resulting damage to the nation's finances is extreme. Government budget deficits exploded by about \$400 billion from

for measures taken in the last month, plus the cost of inevitable bailouts of provincial and local governments and sectors ranging from airlines to hospitality and seniors are added in. A complete accounting of federal finances also would recognize the increased cost of public pensions to taxpayers as asset prices nosedived.

Provincial government deficits are projected to total \$89 billion, up from \$25 billion before the pandemic according to Scotiabank Economics (RBC earlier forecast provincial deficits of \$63 billion). Even this forecast is likely to be optimistic. For example, the Financial Accountability Office of Ontario predicts its deficit will reach \$41 billion, double what the Government of Ontario or RBC Economics were expecting and more than Scotiabank's forecast of \$35 billion. The Federation of Canadian Municipalities forecast a collective shortfall of \$10 to \$15 billion over just the next six months, reflecting less revenue from

at least understated and limited to costs in 2020. Additional claims on China can be made when the long-term costs of the pandemic become evident. These include lowering Canada's potential growth rate due to falling labour and capital inputs.

Canada's human capital stock is being damaged by fewer immigrants and falling employment, especially for youths. Immigration into Canada has slowed to a trickle, removing what was virtually the only recent source of labour force and population growth. The impact is especially severe for universities, which rely on the higher fees charged for foreign students for up to one-quarter of their revenues. Historically, the rise in long-term unemployment that accompanies deep recessions leads to an erosion of skills and permanently lowers income for older workers and reduces lifetime income for youths just arriving on the labour market.

Meanwhile, investment in Canada's physical capital is taking a massive hit as profits and the value of existing assets plunge, to the point that the very survival of firms in sectors such as airlines, retailing and travel is called into question. Worse, many

¹ Violating WHO regulations allows other countries to demand compensation for the resulting health care costs. This article looks at the compensation for the economic costs, which are not covered by the WHO rules.



firms have had to undertake investments and changes to behaviour that are costly in terms of both time and money without generating any revenue (Home Depot alone estimates it will spend \$850 million due to the virus). This implies a permanent reduction of productivity, just as the heightened security measures after the 9/11 attacks raised costs but not revenues.²

There is the direct cost of everything from installing plexiglass shields for check-out counters and assembly lines to delivering to customers at curbside or at home. The indirect costs of social distancing reflect that retail stores and restaurants will operate at reduced capacity for an indefinite period, lowering their revenues while their fixed costs of running a business remain the same. Inevitably, investments in urban transit and travel-related infrastructure in airplanes, hotels and conference centres will have to be written off as uneconomic in the new era of social distancing. It is a very open question how many jobs will be permanently lost as people shift to on-line banking, tele-commuting and working more from home.

No allowance has been made for the pain and suffering the virus caused for the over 8000 Canadians it killed. Dying from

China's secretive and duplicitous handling of the original outbreak of the virus exposes the dark side of an authoritarian regime.

the coronavirus was particularly painful both for victims who struggled alone for their last breath and for families who were barred from the death bed and ultimately the grave site of loved ones. Also ignored in this invoice to China is the added cost of other people dying because they could not receive needed care from hospitals. Nor is any estimate made for the inevitable social cost of lost jobs, incomes, savings, businesses and ultimately hope, which triggers more suicides, substance abuse, and family breakdown.

One of the few positive outcomes of the coronavirus is a long overdue questioning of some basic assumptions about our

relationship with Beijing. China's secretive and duplicitous handling of the original outbreak of the virus exposes the dark side of an authoritarian regime that Canada naively chose to overlook in return for access to China's fast-growing economy. The small boost to our exports now looks trivial compared with the cost to Canada from China's irresponsible refusal to inform its own citizens and the rest of the world of the outbreak in Wuhan late in 2019. Taiwan handled the virus best because it knew from experience not to believe the disinformation coming from mainland China and instead instituted restrictions on trade even before China officially admitted a pandemic was underway.

George W. Bush's hope that China would become a "responsible stakeholder" when it joined the WTO in 2001 is in tatters. Beyond lifting the veil of China's authoritarian regime to other nations, the Xi regime's handling of the virus has to sow doubts among its own citizens. The delay in informing its population travelling to and from Wuhan early in the new year putting lives at risk shows just how little the regime values the life of its own people, just as Russia's coverup of the Chernobyl nuclear disaster fully revealed to its own citizens how the regime's instinct for self-preservation trumped the greater good of its citizens. 🌿

² One hidden cost of 9/11 was that an estimated 1200 to 1600 additional people died in road accidents due to an increase in the number of car trips taken in the year following because of a heightened fear of getting on an airplane.

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Holding China accountable for the COVID-19 cover-up

There are plenty of actions that Canada should be taking immediately in response to China's lethal COVID-19 coverup.

Charles Burton
Brett Byers

As the COVID-19 pandemic continues to unfold, it is clear that it has already caused untold economic and human suffering. While battling the present crisis must be the priority at this point, soon there will be a need to hold accountable those whose actions allowed the novel coronavirus to spread from Wuhan last fall to grow into a global pandemic by January of this year.

As evidence mounts and the timeline becomes clearer, it is becoming increasingly apparent that the government of China knew what was going on with this disease early on and chose to cover up, obfuscate,

and suppress the truth about COVID-19. Authorities in Wuhan were informed about the human-to-human transmission of COVID-19, including to its medical personnel, and the exponential increase of infections in the province as early as December 2019 – and for political reasons they chose to ignore and consistently refute such warnings.

Indeed, Taiwan, a country whose successful management of the crisis is so far without parallel, had also determined that there was human-to-human transmission in Wuhan as early as December of 2019. Taiwan reported this to the World Health Organization (WHO) despite being excluded from even observer status

in the WHO due to Beijing's political demands to shun Taiwan at the UN. Taiwan was able to act almost three weeks before China publicly admitted there was human-to-human transmission.

Rather than moving to contain the crisis, local Chinese Communist Party (CCP) officials were far more concerned with arresting and forcing false confessions from doctors and journalists who raised alarm bells. They also interfered to prevent hospitals from notifying Central health authorities about the seriousness of the outbreak.

Indeed, China had created an infectious disease reporting system after the SARS crisis to prevent such political meddling. Yet it abjectly failed its very first test. This

should not be surprising given the realities of Chinese Communist rule, specifically the “natural inclination for party officials at all levels to bury negative information and censor dissenting views.”

It was also not solely the fault of the Hubei provincial government. Even after it was informed of the seriousness of the outbreak, China’s National Health Commission had reportedly “ordered institutions not to publish any information related to the unknown disease, and ordered labs to transfer any samples they had to designated testing institutions, or to destroy them.”

Some caution is advised given that reparations have a troubled history in China. There is the precedent of the crippling reparations demanded by 11 foreign powers after their military intervention to suppress the anti-foreign Boxer Rebellion of 1900. By 1940, China had turned over 37,000 tonnes of silver to clear the Boxer Indemnity. The Boxer Protocol was one of the “unequal treaties” that led to the Chinese Communist Party’s xenophobic popular rise to power.

Extraction of COVID-19 reparations, whatever their form, would certainly be taken by the CCP as a domestic opportu-

financially target specific individuals who are responsible for human rights abuses. As the WHO’s constitution states, “the enjoyment of the highest attainable standard of health is one of the fundamental rights of every human being,” meaning a case can be made under Magnitsky legislation.


Second, Canada should also support Taiwan’s observer status in the WHO, its participation in the World Health Assembly, and its meaningful involvement in all manner of other important international fora, including trade agreements like the CPTPP. Taiwan has proven itself to be a valuable, constructive global partner. We should no longer allow China’s political preferences to supersede international cooperation with Taiwan. And, had the world acted in accordance with the China-skepticism embodied by Taiwan, perhaps this crisis would have never become such a disastrous pandemic.

Third, countries should reassess their economic reliance on China and should actively encourage supply chain diversification away from China, particularly with regard to medical supplies and strategic resources like rare earth elements. Countries should consider divesting from the Asia Infrastructure Investment Bank and should seek to provide alternative development financing for countries that otherwise might be swayed by China’s Belt and Road Initiative.

There can be no question that the Government of China must be held accountable for the spread of COVID-19. This is by no means an exhaustive list of available tactics that would be effective in undermining Beijing’s strategic interests in a major way and send a clear message to China that its flouting of the international rules based order has serious consequences. ❄️

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The world was left in the dark on both the scale of the COVID-19 epidemic in China and its broader dangers.

Due to this official silence, millions were able to leave Hubei before the belated government lockdown, thereby helping to spread this virus throughout China and globally. The world was left in the dark on both the scale of the COVID-19 epidemic in China and its broader dangers.

The fact is, China lied in an aggressive, systematic, and pervasive fashion. Every lie told to the WHO and the world at large only reduced the ability of governments around the world to adequately prepare and respond to the crisis leading to massive rates of unnecessary deaths from COVID-19.

There is evidence that, had China taken concrete action when Taiwan started acting, global infections (and therefore deaths) could have been reduced by 95 percent. China’s culpability for the initial spread of the virus and its role in fostering an ill-prepared global community is beyond a shadow of a doubt.

The world’s governments must hold China to account.

nity to stoke the flames of anti-Western fervent nationalism, strengthen the arguments of hardliners within the Politburo, and further entrench the false narrative that the regime in Beijing stands up for the interests of Chinese people against a racist and hostile West. We must also ensure that any punishment imposed on the Chinese regime is not borne by the Chinese people who are as much the victims of the CCP’s lies as the rest of the world.

In any event, the case against the Chinese regime in international bodies or courts will take time to develop. What can we do now?

There are plenty of actions that Canada should be taking immediately, in coordination with our allies and partners, in direct response to China’s lethal COVID-19 coverup.

First, Magnitsky sanctions should be considered for those officials who are found to be responsible for lying about COVID-19. These sanctions are designed to



Renée Depoux/istock

Canada must not indulge China's hostage diplomacy

Engaging in a “prisoner swap” over Meng Wanzhou would damage Canada’s judicial independence and encourage future hostage-taking.

Alex Ra-Lee

On June 22nd, the *Globe* reported that Ottawa has the authority to release Huawei CFO Meng Wanzhou from her extradition trial, and that doing so would be in Canada’s interest – by facilitating China’s release of imprisoned Canadians Michael Kovrig and Michael Spavor. Eddie Goldenberg, former chief of staff for Prime Minister Jean Chrétien, penned similar thoughts in a January op-ed.

That Ottawa has the authority to release Meng was never in doubt. But exercising authority would be disastrous for Canada’s legal system, ravage our courts’ judicial independence, and encourage future hostage-taking by the Chinese Communist Party.

“Meng is alleged to have concealed Huawei’s violations of Obama-era sanctions.”

The circumstances of the arrest (and now, formal charging) of Michael Kovrig and Michael Spavor leave little doubt that they were taken hostage in retaliation for Meng’s arrest. But it is often falsely claimed that Meng’s arrest was a consequence of President Trump’s sanctions on Iran.

In actuality, Meng and Huawei face 23 criminal charges including bank fraud, wire fraud, money laundering, and obstruction

of justice. These charges are the result of an investigation that dates back to the Obama administration. In a recent interview on CBC’s *The National*, Susan Rice, National Security Advisor under President Obama, even defended Meng’s arrest and highlighted the risks that Huawei poses to Canada’s 5G network architecture.

Meng is alleged to have concealed Huawei’s violations of Obama-era

sanctions, and to have deceived American banks into violating these laws by facilitating over \$100 million of transactions for Skycom, a Huawei subsidiary, through the US. These are serious allegations that deserve

be making a horrendous mistake with repercussions for all of Canadian society.

The logical consequence of releasing Meng is that Beijing will know that individuals who are well connected to

a judicial process with SNC-Lavalin – an event which may well have costed him his parliamentary majority. Hopefully, he has learned his lesson and will not abandon the principle of the rule of law simply because Beijing wants him to.

To their credit, Prime Minister Trudeau and Justice Minister David Lametti have, so far, held their ground. That said, it is worrying that the government has yet to clearly articulate that Canada will not give Meng a free pass.

Canada and our allies must be united in declaring that hostage-taking is unacceptable. The Trudeau government has done an admirable job in garnering international support for the release of Kovrig and Spavor. But we need to go further – by invoking Magnitsky sanctions



Canada must not capitulate to the Chinese Communist Party's long-standing practice of hostage diplomacy.

to be heard in court, and as Associate Chief Justice Heather Holmes ruled in May, these alleged crimes would also constitute crimes if they were done in Canada.

With this in mind, the facts of the case are clear: assuming Justice Holmes finds no issue with the manner in which Meng was arrested in Canada, there is no legal reason to interfere with Meng's extradition to the US to stand trial for the serious crimes that she is alleged to have committed.

It is true that Canada's Justice Minister has the authority to intervene and stop the extradition. But such an action would be little more than naked appeasement to the Chinese Communist Party and would come at great cost.

By jeopardizing Canada's judicial independence and capitulating to Beijing's hostage-diplomacy, the government would

the Chinese Communist Party can act with some level of impunity – our laws and extradition treaties be damned. If we step out against Beijing's authoritarian interests, Communist Party authorities will simply kidnap some more Canadians, with the expectation that we will simply capitulate, as with Meng. The implications for Canadian sovereignty and rule of law are dire. This would only validate the Chinese Communist Party's hostage-taking, thus making “hostage diplomacy” (alongside economic coercion and other pressure tactics) a tried-and-tested approach for achieving Chinese political objectives.

In democracies like Canada with sound legal systems, politicians must not interfere with legal proceedings. Prime Minister Trudeau is alleged to have interfered with

and issuing a travel warning for Canadians going to China, due to the threat of arbitrary kidnappings. Chinese authorities are extremely sensitive to their global image, and there is reason to believe that a concerted, united, and more vocal effort to release the Kovrig and Spavor could hit home in China.

Ultimately, Canada must not capitulate to the Chinese Communist Party's long-standing practice of hostage diplomacy. All Canadians are of course deeply concerned for the health and welfare of Michael Kovrig and Michael Spavor, but an ill-conceived prisoner-for-hostage swap is not the answer. ❁

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Trudeau suffered a humiliating loss. Now he can pursue what really matters

To secure a seat on the UN Security Council, Trudeau made a Faustian bargain, with disastrous results.

Kaveh Shahrooz

First, the bad news: notwithstanding Prime Minister Justin Trudeau's sloganeering on international affairs, Canada isn't back. With a humiliating loss in the UN Security Council election, we seem to be exactly where we were in 2010. Getting Canada back onto the Security Council had been a cornerstone of Trudeau's foreign policy, if for no other reason than to succeed where Stephen Harper failed. And now, having won fewer votes than his predecessor, Trudeau has nothing to show for it.

But here is the good news: out of humiliation can come the liberation to pursue what really matters.

We chased a prize of questionable value, betrayed our values in the process, and still failed.

While Trudeau did not spend as readily as our opponents Norway and Ireland (the latter even splurging on U2 tickets for 150 foreign diplomats), he sacrificed a lot in this quixotic quest. To win the votes of unsavoury regimes and their allies, Canada kept silent on China's mass human rights abuses, said nothing

about Bashar Assad's butchery in Syria, refused to talk about gay rights in Senegal, and voted against an amendment calling on Cuba to release political prisoners. The list goes on.

In short, we chased a prize of questionable value, betrayed our values in the process, and still failed.

Above: The UN Human Rights Council in Geneva, Switzerland – a better seat for Canada?
(UN Photo/Pierre Albouy/ UN Geneva used under Creative Commons license (no changes or alterations to the image made))

The opposition will surely have fun with this for a few days, much the same way the opposition Liberals did in 2010. Back then, Liberal leader Michael Ignatieff called the loss “part of the general pattern of disappointing results for Canada on the international stage.”

has taken away what little independence Hong Kong had left. Its malfeasance led to a far greater pandemic than the world would have otherwise experienced. And it continues to unjustly imprison two Canadians. Unburdened by the need to win a UNSC seat, we should abandon

regimes. Whether it is imposing Magnitsky sanctions on their officials, closing the door to their state-controlled companies with respect to sensitive technology, or leading multilateral actions to isolate them internationally, Canada can once again find its voice against some of the world’s



Canada has long been a voice for democracy and human rights protections internationally. Let us reclaim that voice.



Above: the UN Security Council (UN photo/Eskinder Debebe via un.org/en/cco/cco/security-council-chamber)

But once the partisan sniping is finished, it will be time for Canada to think about what comes next.

Here is one idea: since we no longer have to worry about being liked by everyone, let us return to our core values and what we do well. Canada has long been a voice for democracy and human rights protections internationally. Let us reclaim that voice.

We can begin by taking the battle to some of the worst global actors. China, surely, is at the top of that list. There’s strong evidence it runs horrifying concentration camps for its Uyghur minority. It

what a former Canadian ambassador to China calls Canada’s “almost humiliating” posture towards Beijing.

The same should be done with Iran and Russia, two of the most malevolent regimes on the international scene. Compelled by the UNSC race, we have been eerily silent when those regimes take political prisoners or when they slaughter their citizens in the streets. Worse than silence, our prime minister has even periodically hobnobbed with officials of a regime responsible for killing dozens of our citizens in the skies.

Now unshackled, we can proceed to take a harder line on these dangerous

worst human rights abusers. Our voice, combined with those of other democratic states, should be loud enough to be heard in the many dark jail cells in those dictatorships.

In addition, even without a Security Council seat, we can focus on fixing some other truly broken UN institutions like the UN Human Rights Council. The world’s leading human rights forum is currently a rogues’ gallery, with members like Venezuela, Mauritania, and Libya. Many great proposals for its reform have been discussed, but the political will has always been lacking. Canada can now begin this process in earnest, pushing for changes that keep the worst regimes out of the Human Rights Council and making the organization better able to respond apolitically to serious global crises.

To secure a seat on the UN Security Council, Trudeau made a Faustian bargain, with disastrous results. But we should put the failure behind us and pursue international goals that matter to Canada and the world. That way, the next time we seek a Security Council seat, we can be proud of what we stood for, win or lose. ❄️

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Canada should forget about Keystone XL and look beyond the US

We need to look at alternatives that will allow us to meet the world's growing energy demand, lift Canada out of recession, and sustain an economic recovery.

Jeff Kucharski

The Keystone XL pipeline – a project that's been subject to political and legal wrangling for a decade – is looking increasingly like a walking zombie. Despite winning approvals from the Trump administration and investment from TC Energy in March, new hurdles keep emerging, including a March 14 decision by a Montana court to halt the project again. And in May, Joe Biden announced that, if elected president, he would “rip up” the permits.

There is every reason to believe that as president, Mr. Biden would do just that. He doubled down on his comments recently, saying he's been against Canada's “tar sands” from the beginning; as vice-president in the Obama administration, he supported blocking the project in 2015. He also needs the backing of the environmental lobby in the Democratic Party, and stopping Keystone will win him that much-needed support. At the moment, Mr. Biden is leading President Donald Trump in national polls.

For Canada, this may actually turn out to be a blessing in disguise: We are now being forced to consider alternatives to becoming even more dependent on oil exports to the United States.

If Keystone is killed, viable options exist to diversify Canada's export trade while helping strengthen ties with the fastest-growing and most dynamic region of the world: the Indo-Pacific. These alternatives would help Canada's energy exports reach new markets while removing the constant threat of US political risk to pipeline projects.

Countries in the Indo-Pacific are all but begging for Canadian energy, and supplying this region is the primary goal of the Trans Mountain pipeline under construction. But to replace the capacity lost from the Keystone XL project, Canada would need to build another pipeline or two to get our oil to global markets. That sounds especially daunting given the state of pipeline politics in this country; look no further

than the failed Northern Gateway and Energy East projects for proof. However, in a post-COVID world where economic recovery will likely take years, getting fast-track approval for pipelines that create jobs and generate significant tax revenue may find a lot more support among some governments and the broader public.

Alberta Premier Jason Kenney faces a difficult decision. Should he go all-in



“
Countries in the
Indo-Pacific are
all but begging for
Canadian energy.”

on Keystone XL and spend more public money and time pursuing lawsuits and trade remedies that are unlikely to succeed? Or should he cut his losses and focus on a strategy that could bring much greater long-term benefits to Alberta and the rest of the country?

The best course would be to work with pipeline companies and Asian investors

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Canada's unused card against China: our immigration system

As it confronts China's heavy-handed attempt to quash the Hong Kong's autonomy, Ottawa is not without levers of influence.

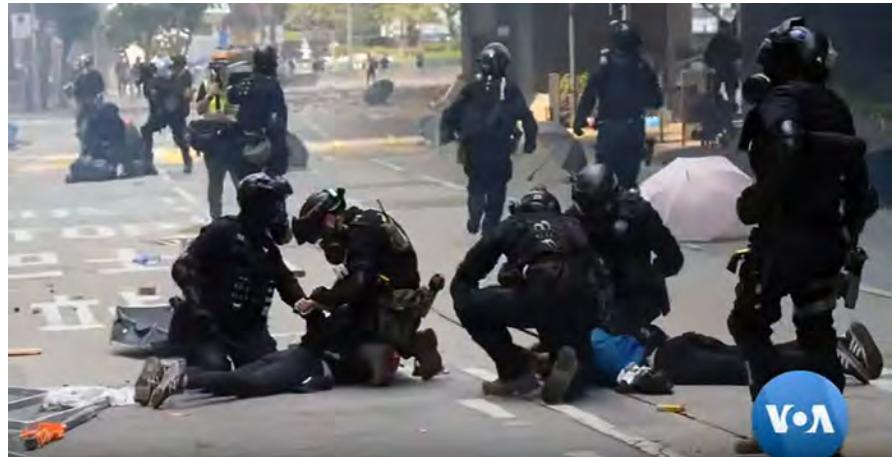
Robert Falconer

Ai-Men Lau

Canada is limited in the ways it can respond to the bully tactics of larger countries such as People's Republic of China. Yet, as it confronts China's heavy-handed attempt to quash the autonomy it had promised Hong Kong, Ottawa is not without levers of influence. One policy tool that Canada should immediately deploy is our immigration, refugee and asylum system.

As governments worldwide closed their countries' borders, and as the United Nations suspended its refugee program, a more subtle trend emerged: an uptick in the number of Hong Kongers claiming asylum. According to the Immigration and Refugee Board of Canada, 25 Hong Kongers have claimed asylum in the first three months of 2020; unofficial sources suggest the number may be as high as 46. While that's still a relatively small number, it represents a six-year high for Canada in just three months. Regardless of the choices Canada makes, we are likely to see record-high levels of people from Hong Kong fleeing here to seek refuge when international travel fully resumes.

Our asylum system is particularly well-suited to receiving claims from Hong Kong. It includes the ability to streamline cases from countries with well-established human-rights abuses, where asylum seekers have reliable forms of identification, and where the evidence is not ambiguous regarding the risks they face for holding an adverse political opinion or for opposing the current government.



Above: Police crack down on student protesters at a besieged Hong Kong university, November 2019.

(Bill Gallo for VOA via commons.wikimedia.org)

An open refugee policy is one that permits Hong Kongers to vote with their feet.

Choosing to welcome those seeking asylum is not only the right thing to do but has practical benefits as well. It might seem odd to make a utilitarian argument in favour of asylum, and indeed, if all policy-makers and politicians were angels, such a justification would not be necessary. But there is a compelling case to be made for a renewed Canadian foreign policy that considers the role immigration and refugee status plays in our national security and response to foreign competitors. As the People's Republic seeks to impose its will on Hong Kong, an open

refugee policy is one that permits Hong Kongers to vote with their feet between an oppressive China or an open Canada.

The decision to welcome Hong Kongers as part of a robust foreign policy is not without precedent. Conservative governments in the 1970s and 1980s understood that an open-door policy was one that would attract those with the greatest levels of dissatisfaction in the Soviet bloc. The arrival of refugees and immigrants during that time strengthened our economies and added linguistic diversity and cultural understanding to our law enforcement, military and intelligence communities.

The same applies to Hong Kongers and mainland Chinese fleeing oppression. Indeed, combatting the possibility of intellectual-property theft and industrial

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Canada needs to decide on 5G sooner rather than later

Canadians deserve to reap the benefits of 5G and will do so, but not at the cost of its national security and that of our allies.

J. Berkshire Miller

Earlier this month, two of Canada's largest telecommunications companies, Bell Canada and Telus Communications, released statements within hours of each other indicating their plans to move forward on Canada's next generation 5G network. The two telecommunications giants announced in their news release that they would work with European carriers Nokia and Ericsson as vendor partners in the initiative.

The releases have left some to wonder what all of this means for the Chinese carrier Huawei, which is also lobbying hard to be included in Canada's 5G networks.

Huawei is not officially "out" as the federal government has yet to make a final decision.

While some have applauded the move as a clear indication that Huawei is likely to be locked out from participating in our next generation networks, there was no

reference to such an outcome or indication that Huawei has fallen out of favour from two of Canada's main carriers.

Indeed, the potential role of Huawei in 5G was conspicuously absent from Bell and Telus' announcements. To be sure, Huawei is not officially "out" as the federal government has yet to make a final decision based on its 5G security review decision. The announcements were carefully worded so as not to dismiss the idea of Huawei in the future; the announcements merely indicate plans to use Ericsson and Nokia as key partners. Moreover, shortly after the release, Bell representatives stressed the fact that Huawei remains a potential

option as a partner for its 5G network but it is dependent on the government's security review decision.

Thus, if the government security review decision is pending, what – if anything – has actually changed? There are two plausible answers.

First, it is possible that the telecommunications industry has slowly accepted the fact that government was not going to make an imminent decision on the matter, especially in light of the pandemic and already strained ties with China. By releasing a forward looking – but non-committal – statement, Bell and Telus are effectively

than later. The entire process has been drawn out for too long and has left our key allies concerned and confused. It has also weakened the important stakeholder relationships between the telecommunications industry and the public sector.

The strategic stakes and consequences remain unchanged. Despite some arguments that stress Huawei as a viable alternative to Nokia and Ericsson due to the cost advantages or research and development edge, the downside risks remain far too high.

Huawei claims that it is a private company and is being unfairly treated by the

Canada's other allies in the Five Eyes – an intelligence sharing network between the US, Canada, the United Kingdom, Australia and New Zealand – may have different articulations but share similar assessments on China's increasingly aggressive and destabilizing efforts. This is particularly the case in the intelligence world, where Beijing is conducting an expansive and multipronged effort at illicitly gathering sensitive information – both in the public and business domains – from the US and its allies. And these concerns are still valid despite the recent decision from the United



China continues to challenge the international rules-based order on a range of fronts, beyond the issue of 5G.

able to get in front of the news rather than appear to be reluctant losers (should the government proceed to restrict Huawei).

Alternatively, the decision to go public on their plans may have been related to indications they have received from government officials on the likelihood of such a ban.

It was only earlier this year that Telus appeared confident in its position that it would roll out 5G and that the launch would include components from Huawei. Telus currently uses Huawei components in its 4G systems and estimates that it would cost the company at least \$1 billion to rip out such components in order to comply with a full-scale ban on Huawei in 5G.

This state of limbo is unacceptable for a number of reasons. First, while restrictions on Huawei in our 5G systems should be seen as a strategic imperative, this decision and its communication should not fall on the laps of the private sector alone. Despite its competing pressures and diplomatic sensitivities, the government of Canada needs to decide on 5G sooner rather

Trump administration in the US. But the reality remains that Huawei is a company beholden to higher laws in China that could – and most likely would – make it a tool for state-sponsored espionage. Case in point is Beijing's 2017 national intelligence law which compels all private companies to “support, cooperate and assist” with state on issues of national security and intelligence. Such activities could include the implantation of backdoors into Huawei 5G networks that might allow Chinese intelligence officers to collect information on foreign stakeholders.

Canada's security review on 5G must recognize this point and also understand the geostrategic context as China continues to challenge the international rules-based order on a range of fronts, beyond the issue of 5G. The United States has labelled China a “strategic competitor” and taken a much harder and more realistic view on its ability to induce Beijing to be more accepting of international laws and norms, whether it be on 5G, in the international trade domain or on maritime security.

Kingdom to partially allow Huawei into its 5G networks. Other key international partners, such as Japan, have also decided to exclude Huawei from their 5G plans for national security reasons.

As has been the case since the beginning, Canada cannot afford to risk our security and sovereignty. If we allow overconfidence about our ability to mitigate all risks from Huawei's potential inclusion in 5G, Canada could be making a grave and irreversible mistake. Canadians deserve to reap the benefits of 5G and will do so, but not at the cost of its national security and that of our allies.

Rather than abdicating this decision to the private sector, it is time for Canada to make a decision that best serves its interests. 🌸

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Parliament (Leuprecht)

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the guise of possible health risks of the virus to gathering Parliament, whilst himself joining in select mass public gatherings.

At the same time, the federal government has repeatedly sought exceptional executive powers, acting as if it commanded a majority in the House, initially without even consulting Parliament. Canada is a notable outlier among Westminster parliamentary systems: The United Kingdom, Australia and New Zealand have revitalized their Parliaments in all their functions.

Respect for constitutional convention made Great Britain the most prosperous and stable political and economic system in the world for over 200 years. The Westminster system of constitutional monarchy has proven itself over the course of 300 years. In Great Britain, the respect for constitutional convention has prevailed continuously through both world wars and the divisive debate over Brexit.

Although Canada's government consulted the House of Commons in its initial attempt to legitimize a neutered virtual substitute, the government's decision to truncate Parliament is arbitrary and defies convention.

Instead of capitalizing on the full diversity of views represented in Parliament to optimize outcomes for all Canadians, the Liberal minority government has gone to unprecedented lengths to subvert Parliament in its core functions of scrutinizing government, authorizing legislation and representing Canadians.

Parliament has a supreme duty to hold the executive and government to account, along with the quality and timeliness of advice provided by the civil service. Responsible government is Canada's foremost constitutional principle: government is responsible to the people through Parliament.

The speed, efficiency and unanimity

with which fiscal and legislative measures have been supported by opposition parties – not just in Canada but across the democratic world – belies the disregard the federal government is showing for parliamentary audit by the duly elected representatives of the Canadian people.

Along with the courts, Parliament, after all, is a democratic people's bulwark against excesses of executive power. ✱

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Rebuilding the economy (Cross)

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At a minimum, plans to rebuild and restructure our economy need to be transparent, so Canadians can decide if they accept these trade-offs on a permanent basis. A temporary willingness to make sacrifices during a crisis should not be confused with a permanent shift in preferences. In past crises, Canadians postponed consumption for the common good, but not forever. As World War II ended, a weariness with sacrifice resulted in the defeat of Winston Churchill and the near defeat of Mackenzie King. People wanted to spend on their personal well-being after two decades of pent-up demand. Similarly, austerity programs are best implemented quickly before people lose the motivation for shared sacrifice.

Unless Canadians choose to lower their consumption for more government spending, plans to impose a restructuring look like another elitist attempt to tell ordinary people how to live. The pandemic supposedly made us more aware of the contribution of blue-collar workers, but the sneering contempt of many for blue-collar consumption choices remains just below the surface. Even worse than

slowing economic growth by diverting resources into less desirable activities, imposing such a choice undermines democracy. ✱

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Back to work (Mintz)

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with a disabled parent or child should be given more to cover additional costs. Those temporarily out of work, after earning a higher income, might need replacement income that would be significantly above the minimum payment. So, once we start differentiating people by their needs, we get back too many current programs – and the bureaucracy – to determine eligibility for various benefit payments.

Plans to impose a restructuring look like another elitist attempt to tell ordinary people how to live.

Nor is it clear voters would support the elimination of tuition tax credits, property tax and rent credits, pension and RRSP deductions, age credits, refundable GST tax credits and other targeted relief measures, which all play a role in social policy. And if voters dislike a flat rate, a much higher marginal tax rate would be needed than 49 percent to make up for special preferences. But such high marginal tax rates would discourage work, saving and risk-taking, ultimately eroding the ability for an economy to sustain a guaranteed income.

The idea of just giving out cash to relieve poverty also raises eyebrows for many voters who have to pay tax on their earnings from work. And there's the unknown labour-supply effect: how many recipients might choose to stay at home, receiving \$30,000 cheques, rather than work? That's why many economists concerned about the working poor prefer wage subsidies instead of just handing cash to otherwise able workers. And cash alone isn't a panacea for helping all low-income families: we would still need professionals to support those with mental or other health issues, social problems or who lack the basic skills to contend with daily life.

As we begin to recover from this pandemic, the last form of intervention we need is to discourage people from pursuing new opportunities and jobs that will eventually become available. That is a lesson so far from the grand experiment we had to adopt in a hurry to help many people survive a severe recession. While necessary in the short-term, if the federal government were to heed calls to continue this policy on a permanent basis it could disrupt recovery for years to come. ❁

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Keystone XL (Kucharski)

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to finance a pipeline to the West Coast, East Coast or some combination of both. Cancelling Keystone XL would result in the loss of a badly needed 830,000 barrels a day of export capacity, but this could easily be taken up by Asian importers such as Japan, South Korea and other Indo-Pacific countries that are highly dependent on energy imports and would prefer dealing with a low-risk country such as Canada.

Preposterous claims by some politicians that "oil is dead" – as former Green Party

leader Elizabeth May declared – belie an ignorance of markets and of transitions. There is no question that Canada and much of the world is in the midst of a transition to a low-carbon future, which should be supported and encouraged. However, such transitions take decades, even with aggressive and effective policy measures. And as we've seen during the COVID-19 pandemic – as economic recovery and population health have been prioritized, international institutions come under increasing scrutiny, relations with China get increasingly tense, and global cooperation weakens – the pursuit of aggressive climate change policies may have to take a back seat to other pressing concerns.

As I outlined in a recent Macdonald-Laurier Institute report, Canada should start looking beyond the U.S. market and adopt a strategic approach to exporting energy resources – one that would advance peace, security and our national interests in the rapidly changing and challenging Indo-Pacific region, while also benefiting the Canadian economy.

With Keystone looking less and less viable, it is time to seriously look at alternatives that will allow us to meet the world's growing demand for energy and help lift Canada out of recession – and sustain an economic recovery. ❁

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Hong Kong (Falconer and Lau)

Continued from page 31

espionage is far more likely to be aided, rather than hampered, by recruiting from a population that shares similar cultural and linguistic characteristics and understands the methods of potential competitors. Above all, welcoming Hong Kongers aligns

with Canadian democratic traditions – standing against tyranny and welcoming the oppressed.

Granting asylum to Hong Kongers fleeing persecution from Beijing should not be a difficult task for this government, either. While the Trudeau government has shifted its tone regarding Canada's relationship with China, it has faltered when asked whether Canada will accept refugee claimants from Hong Kong. In contrast, British Prime Minister Boris Johnson has announced that Britain will allow 2.8 million Hong Kongers to live and work in Britain if China implements its national-security law on the former British colony. In response, the Chinese Communist Party regime has threatened Britain with vague consequences if it continues to meddle in an "internal affair."

Granting asylum to Hong Kongers will force the federal government to recognize the well-established truth that China is a hostile actor, and doing so will signal to both the international community and China that Canada acknowledges that hard truth. Dealing with China is not a risk- or cost-free interaction. There are no other options, aside from total silence, that will not draw retaliation from Beijing, and it should be expected if Canada decides to grant asylum to claimants from Hong Kong. But the government needs to accept this reality, recognize the risks and rethink how to move forward. Granting asylum to Hong Kongers seeking to flee persecution is not only the right thing to do – it is the Canadian thing to do.

For a government that prides itself on the principles of championing human rights, our inaction on Hong Kong remains a persistent dark stain. ❁

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